

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016 / 2017

BAC 1054 PRINCIPLES OF MANAGEMENT

ACCOUNTING

(All Sections / Groups)

7 OCTOBER 2016

9.00 a.m – 11.00 a.m

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This examination paper consists of **FOUR (4)** pages with **FOUR (4)** Questions only.
2. Answer **ALL** questions. All questions carry equal marks and the distribution of marks for each question is indicated.
3. Write your answers in the answer booklet provided.

Question 1

Sarah operates a bed and breakfast hotel in a resort area near Lake Putrajaya. Depreciation on the hotel is RM60,000 per year. Sarah employs a maintenance person at an annual salary of RM41,000 and a cleaning person at an annual salary of RM24,000. Real estate taxes are RM10,000 per year. The rooms rent at an average price of RM60 per person per night including breakfast. Other costs are laundry and cleaning service at a cost of RM10 per person per night and the cost of food which is RM5 per person per night.

Instructions

- (a) Determine the number of rentals and the sales revenue Sarah needs to break even using the contribution margin technique.
(10 marks)
- (b) If the current level of rentals is 4,000, by what percentage can rentals decrease before Sarah has to worry about having a net loss?
(4 Marks)
- (c) Sarah is considering upgrading the breakfast service to attract more business and increase prices. This will cost an additional RM3 for food costs per person per night. Sarah feels she can increase the room rate to RM68 per person per night. Determine the number of rentals and the sales revenue Sarah needs to break even if the changes are made.
(8 marks)
- (d) Advise Sarah whether she should upgrade the breakfast service. Give reasons for your advice.
(3 marks)

(Total 25 marks)

Continued...

Question 2

Sunrise Sdn. Bhd. operates two divisions, the Timber Division and the Consumer Division. The Timber Division manufactures and sells logs to paper manufacturers. The Consumer Division operates retail lumber mills which sell a variety of products in the do-it-yourself homeowner market. The company is considering disposing of the Consumer Division since it has been consistently unprofitable for a number of years. The income statements for the two divisions for the year ended December 31, 2016 are presented below:

	<u>Timber Division</u>	<u>Consumer Division</u>	<u>Total</u>
Sales	RM1,500,000	RM500,000	RM2,000,000
Cost of goods sold	<u>900,000</u>	<u>350,000</u>	<u>1,250,000</u>
Gross profit	600,000	150,000	750,000
Selling & administrative expenses	<u>250,000</u>	<u>180,000</u>	<u>430,000</u>
Net income	<u>RM 350,000</u>	<u>RM(30,000)</u>	<u>RM 320,000</u>

In the Consumer Division, 70% of the cost of goods sold are variable costs and 35% of selling and administrative expenses are variable costs. The management of the company feels it can save RM45,000 of fixed cost of goods sold and RM50,000 of fixed selling expenses if it discontinues operation of the Consumer Division.

Instructions

- (a) Using the Incremental analyses technique, determine whether the company should discontinue operating the Consumer Division.
(22 marks)
- (b) If the company had discontinued the division for 2016, determine what the net income of the total company would have been.
(3 marks)

(Total 25 marks)

Continued...

Question 3**Part 1**

Pioneer Chemical Company is preparing its direct labor budget for the year ended 31 December 2017 from the following production budget based on a calendar year:

<u>Quarter</u>	<u>Units</u>
1	60,000
2	30,000
3	45,000
4	75,000

Each unit requires 2 hours of direct labor. The union contract provides for a 10% increase in wage rate from RM10 to RM11 per hour effective from 1 October, 2017

Instruction

Prepare a quarterly direct labor budget for 2017.

(15 marks)

Part 2

What is participative budgeting? What are its potential benefits? What are its potential shortcomings?

(10 marks)

(Total 25 marks)

Continued.....

Question 4

Hercules Company uses a flexible budget for manufacturing overhead based on machine hours. The company believes it will normally operate in a range of 4,000 to 8,000 machine hours per month.

Variable manufacturing overhead costs per machine hour are as follows:

Indirect labor	RM5.00
Indirect materials	2.50
Maintenance	.50
Utilities	.30

Fixed overhead costs per month are:

Supervision	RM1,200
Insurance	400
Property taxes	600
Depreciation	1,800

During the month of August, 2016, the company operated at 6,000 machine hours and incurred the following manufacturing overhead costs:

Indirect labor	RM28,000
Indirect materials	16,200
Maintenance	2,800
Utilities	1,900
Supervision	1,440
Insurance	400
Property taxes	600
Depreciation	1,860

Instruction

Prepare a flexible budget report for August showing the difference between the flexible budget and actual manufacturing overhead costs.

(Total 25 marks)

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